



Judd Gregg, Chairman  
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## **SBC Hears Testimony from Federal Reserve Chairman Greenspan**

WASHINGTON—Federal Reserve Chairman Alan Greenspan told the Senate Budget Committee today that lawmakers will be forced to make difficult decisions on budget priorities as costs associated with the retirement of the baby boom generation and soaring health care expenditures begin to squeeze out other priority programs.

“I fear we may have already committed more fiscal resources to the baby-boom generation in its retirement years than our economy has the capacity to deliver,” Greenspan said. “The fundamental fiscal issue is the need to make difficult choices among budget priorities, and this need is becoming ever more pressing in light of the unprecedented number of individuals approaching retirement age.”

Greenspan warned that current tax and spending trends forecast an “unsustainable path” for the federal budget, resulting in large deficits which lead to rising interest rates and increasing interest payments that augment future deficits.

“In fiscal year 2004, federal outlays for Social Security, Medicare, and Medicaid totaled about 8 percent of GDP,” said Greenspan. “The long-run projections from the Office of Management and Budget suggest that the share will rise to approximately 13 percent by 2030. So long as health-care costs continue to grow faster than the economy as a whole, the additional resources needed for these programs will exert intense pressure on the federal budget.”

Committee Chairman Judd Gregg said, “The problem is that we have \$44 trillion of unfunded liabilities on the books already. To put that in context, the total amount of taxes paid to the federal government since the Revolution equals \$38 trillion. So the question becomes: how do we address this as a government?”

“I believe the first step is to pass a budget that puts some controls on entitlement spending. This year we made the effort to address one of these accounts so at least one of these elements driving out-year fiscal costs will begin to be addressed.”

The Senate-passed budget resolution includes a reconciliation instruction for committees to produce \$17 billion in savings over five years after an amendment on the Senate floor stripped \$15 billion in savings from the Finance Committee instruction. The Senate and House budget conferees are working to reach a compromise.